



Namoi Cotton Limited

Board Audit Committee Charter

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1. Introduction

The Board Audit Committee (“Committee”) is a committee of the Board of Directors (“Board”) of Namoi Cotton Limited and its subsidiaries (“NCL”).

The Committee was established by resolution of the Board and is provided with the powers necessary for it to perform its functions. It is not a policy making body but assists the Board by monitoring the implementation of Board policy and making recommendations to the Board in respect of matters for which it is responsible.

2. Role of the Board Audit Committee

The Committee’s primary functions are to:

- 1) Review the integrity of NCL’s financial information and systems, internal and external reporting;
- 2) Review the internal controls, policies and procedures that NCL uses to identify and manage business risks;
- 3) Review the external auditor’s annual audit of the financial statements;
- 4) Review NCL’s compliance with legal and regulatory requirements.
- 5) Review and assess the external auditors’ activities, scope and independence;
- 6) Review and assess the internal auditors’ activities, scope and independence;
- 7) Review the management process for the identification of significant business risks and exposures (including fraud), and review and assess the adequacy of management information and internal control structures;
- 8) Obtain regular updates from management, matters that may have a material impact on the company’s activities.
- 9) Communicate with specified external stakeholders with respect to its role. External stakeholders are current and potential external auditors and internal auditors as well as parties nominated by the Board.
- 10) Communicate with NCL’s financiers and bankers with respect to ongoing financial facilities.

The existence of the Committee does not diminish the Board’s responsibility to ensure the integrity of the financial reporting and to manage risk.

3. Key Responsibilities of the Board Audit Committee

3.1 Financial Reporting

The duties of the Committee with respect to financial reporting are:

1. Making a recommendation to the Board as to whether the Company’s financial statements, in the Committee’s opinion, reflect a true and fair view of the financial position and performance of the Company.
2. Reviewing financial statements, including for adherence to accounting standards and policies as well as the requirements of the Corporations Act 2001.
3. Assessing significant estimates and judgments in financial reports by asking management about the process used in making material estimates and asking the external auditors the basis for their conclusions on the reasonableness of management’s estimates.
4. Reviewing significant financial reporting issues, including complex or unusual transactions; highly judgmental areas; and recent professional and regulatory announcements and understanding their effect on the financial report.
5. Reviewing with management and the external auditors the results of the audit, including any difficulties encountered.
6. Reviewing management processes supporting compliance with laws, regulations and other requirements relating to the preparation of accounts and external reporting by the Company of financial and non-financial information, including ensuring the information does not conflict with the financial statements and other documents.

3.2 Risk Management

The Committee shall consider and use its reasonable endeavours to:

1. Maintain an up-to-date understanding of areas where the Company is, or may be, exposed to risk and compliance issues and check that management is effectively managing those issues, such as:
 - a. non-compliance with laws, regulations, standards and best practice guidelines including employment, environmental and trade practice laws;
 - b. litigation and claims;
 - c. fraud, theft or other breakdown of the entity's internal controls; and
 - d. relevant business risks not dealt with by other Board committees.
2. Review the adequacy and effectiveness of the Company's policies and procedures which relate to risk management and compliance and reviewing the completeness and accuracy of the Company's principal corporate governance practices.
3. Examine and evaluating the effectiveness of the internal control system with management, internal and external auditors.
4. Receive and consider reports on risk management and compliance programs and performance against policy and strategic targets.
5. Make recommendations to the Board on the appropriate risk and risk management reporting requirements.
6. Examine any matters referred to it by the Board.

3.3 External Auditor

The Committee's duties include to:

1. Make recommendations to the Board on the appointment, remuneration and monitoring of the effectiveness and independence of the external audit provider.
2. Review and approve the external audit plans, including identified risk areas and any additional agreed-upon procedures, and the annual engagement letters of the external auditor, including payment of annual fees and variations to approved fees.
3. Monitor and note compliance by the external auditor with the independence requirements imposed by the Corporations Act 2001. Receive and review the auditor's independence declaration to be provided to the Directors by the external auditor pursuant to section 307C of the Corporations Act 2001.
4. Monitor and critique management's responsiveness to the external audit provider's findings and recommendations – ask the provider if there have been any significant disagreements with management (irrespective of whether they have been solved).
5. Provide the opportunity for Committee members to meet with the external audit provider without management personnel being present at least once a year.
6. Advise the board on the rotation of the external audit provider at intervals of approximately each five years or otherwise as appropriate.
7. Approve rotation of partners of the external auditor.
8. Implement a process for approval of all audit and non-audit services provided by the external auditor (who are not to be appointed to undertake any non-audit assurance services that may impair the external auditor's judgment or independence in respect of the Group).

3.4 Internal Auditor

The Committee's duties include to:

1. Make recommendations to the Board on the appointment, remuneration and monitoring of the effectiveness and independence of the internal audit provider.
2. Review and approve the internal audit plans, including identified risk areas and any additional agreed-upon procedures, and the engagement letters of the internal auditor, including payment of fees and variations to approved fees.

3. Monitor and critique management's responsiveness to the internal audit provider's findings and recommendations – ask the provider if there have been any significant disagreements with management (irrespective of whether they have been solved).

3.5 Responsibilities with respect to related party transactions

The Committee is responsible for reviewing and monitoring the propriety of related party transactions.

4. Board Audit Committee Composition and Operation

4.1 Appointment, Skills and Competencies

Members of the Committee will be appointed by the Board from the non-executive Directors of NCL. The Committee shall consist of a minimum of 3 non-executive Directors. The following applies:

- Appointment of Committee members is reviewed annually.
- The effect of ceasing to be a Director of the Board is the automatic termination of appointment as a member of the Committee.
- The duties and responsibilities of a member of the Committee shall be in addition to those duties set out for a Director of the Board.
- Committee members will have a working familiarity with basic finance accounting practices. It is appropriate that members of the Committee have a range of different backgrounds, skills and experiences, having due regard to the operational, financial and strategic risk profile of NCL.
- At least one member of the Committee should have accounting or related financial management expertise and at least one member should have a detailed understanding of the industry in which NCL operates.
- New members appointed to the Committee are required to undertake a formal induction. The induction includes understanding the Workplan, reviewing prior year's annual report, understanding this Charter and understanding the role played by external and internal auditors.

NCL will assist the Committee in maintaining appropriate financial literacy. NCL is responsible for providing new members with an appropriate induction program and educational opportunities, and the full Committee with educational resources relating to accounting principles and procedures, current accounting and risk management issues pertinent to the company, and other resources, as reasonable requested by the Committee.

4.2 Performance Evaluation

To ensure that the Committee is fulfilling its stewardship duties to the Board, the Committee will:

- Review, at least annually, the Committee Charter and recommend to the Board any appropriate amendments for approval;
- Review the annual work plan incorporating any changes in the Charter;
- With the inclusion of the Board, conduct an annual assessment of its performance against its chartered duties and responsibilities and provide a report of the findings to the Board;

4.3 Committee Meetings

The Committee must meet at least 4 times per year.

The quorum for a meeting is 3 members.

Meetings of the Committee may be held face-to-face or by any technological means by which members can participate in a discussion.

Any member of the Board may attend a meeting of the Committee as an invitee on their request.

In addition, the Chair will call a meeting of the Committee if so, requested by any member of the Committee, by the external auditor or by the Chair of the Board.

The Committee Chair may invite any person or persons (other than duly appointed members) to attend meetings of the Committee, but not necessarily for the full duration of the meeting. A standing invitation shall be issued to:

- The Chief Executive Officer;
- The Chief Financial Officer;
- The external auditors;
- The internal auditors.

4.4 The Chair

The Chair of the Committee will be appointed by the Board. The Chair must be an independent Director who is not Chair of the Board.

Should the Chair be absent from a meeting and no acting Chair has been appointed, the members of the Committee present at the meeting shall choose one of the other members of the Committee to chair that particular meeting.

4.5 Authority

The Board has authorised the Committee, within the scope of its duties and responsibilities set out in this charter to:

- Perform the activities required to address its responsibilities and make recommendations to the Board;
- Resolve any disagreements between management and the external auditor, with areas of significant disagreement being advised to the Board;
- Subject to the agreed protocol:
 - i. Require the attendance of any company manager or staff member at meetings, as appropriate;
 - ii. Have unrestricted access to management, employees and information it considers relevant to its responsibilities under this charter;
 - iii. Have direct access to NCL's external and internal auditors.

The Committee will meet with external auditors, in the absence of management, as often as required, but not less than once a year.

The Committee has the power to engage any independent experts that it considers necessary or appropriate to help it fulfil its duties. Costs associated with these investigations will be borne by the Company.

4.6 Secretary

The Company Secretary of NCL shall act as Secretary of the Committee.

The Secretary is responsible for taking minutes of each meeting and distributing them to Committee members as soon as practicable after the close of the meeting. The minutes should ordinarily be included in the papers for the next full Board meeting after each Committee meeting.

The Committee Chairman will provide an oral report to the Board should a Board meeting be scheduled before the minutes can be prepared and circulated. The Chairman should report on the proceedings of the Committee meeting, the outcomes and recommendations and any other relevant issues.